

Message Text

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ACTION INR-07

INFO OCT-01 ISO-00 ONY-00 CCO-00 /008 W

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P 221130Z SEP 76

FM USDEL SECRETARY IN KINSHASA

TO SECSTATE WASHDC PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 SECTO 27271

STADIS//////////

FOR INR ONLY

VAN GILDER FROM SAUNDERS

E.O. 21652:MXDS

TAGS: PINR, XF

SUBJECT: DIRECTION OF EVENTS IN MIDDLE EAST -SPEECH DRAFT

1. BELOW IS A DRAFT OF THE 20 MINUTE OFF-THE-RECORD LUNCHEON TALK I AM TO GIVE MONDAY AT A MIDDLE EAST INSTITUTE CONFERENCE FOR BUSINESSMEN ON THE DIRECTION EVENTS MAY TAKE IN THE MID EAST AS THEY WILL INFLUENCE THE CLIMATE FOR AMERICAN BUSINESS. I WOULD APPRECIATE YOUR ASKING PHIL STODDARD, SAM HART, PETE DAY, AND JIM CHECK/RUSS PRICKETT (NEA/RA) TO LOOK AT THIS CRITICALLY AND TO REVISE AS THEY THINK DESIRABLE. PLEASE EMPHASIZE THAT I HOPE FOR SUBSTANTIAL REVISION AND DEVELOPMENT. THEN I WOULD APPRECIATE YOUR COMINING THEIR COMMENTS INTO A CLEAN DRAFT READY FOR ME SATURDAY. I WOULD LIKE TO SCHEDULE A TENTATIVE MEETING WITH STODDARD, APPROPRIATE REC STAFF, AND PRICKETT MONDAY BEFORE NOON, PARTICULARLY TO DISCUSS THE ECONOMIC SIDE WHERE I AM LESS COMFORTABLE. PLEASE ASK HART AND PRICKETT TO DO A REAL JOB IN DEVELOPING THE ECONOMIC SECTIONS BELOW; AS THEY NOW STAND, THEY ARE BARE SKELETONS.

2. BEGIN TEXT.
THE COMING CLIMATE FOR AMERICAN BUSINESS IN THE MIDDLE EAST
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TO DISCUSS IN TWENTY MINUTES HOW THE MIDDLE EASTERN

CLIMATE FOR AMERICAN BUSINESS WILL DEVELOP OVER THE NEXT YEAR OR SO REQUIRES CONSIDERABLE OVERSIMPLIFICATION IF I AM TO LEAVE YOU WITH ANY SHARPLY DEFINED THOUGHTS. THEREFORE, IF YOU WILL JOIN ME IN ACCEPTING THE RISKS OF SUCH OVERSIMPLIFICATION, I WOULD LIKE TO HAZARD SEVERAL THOUGHTS ABOUT THE FUTURE:

FIRST: IF THERE IS STRONG SUPPORT IN THE U.S. FOR A DETERMINED U.S. EFFORT BEGINNING EARLY NEXT YEAR TO ACHIEVE FURTHER PROGRESS IN ARAB-ISRAELI PEACE NEGOTIATIONS, ANOTHER WAR AND OIL EMBARGO CAN BE AVOIDED. IF THAT EFFORT STALLS, I COULD SEE A RETURN TO ARAB ECONOMIC PRESSURE WITHIN A YEAR AFTER A BREAKDOWN.

THE EXECUTIVE BRANCH IS COMMITTED TO RESUME AN ACTIVE ROLE IN ARAB-ISRAELI NEGOTIATIONS AS SOON AS CONDITIONS PERMIT. NO ONE UNDERESTIMATES THE DIFFICULTIES, BUT IT DOES SEEM POSSIBLE THAT A NEGOTIATION CAN BEGIN.

THE FIRST ISSUES WILL BE A SERIES OF PROCEDURAL UNDERSTANDINGS ON HOW THE NEGOTIATIONS ARE TO BE CONDUCTED, WHO IS TO PARTICIPATE AND WHAT THE TERMS OF REFERENCE WILL BE. THE SECOND SET OF ISSUES WILL THEN BE THE SUBSTANTIVE QUESTIONS TO BE RESOLVED IN THE COURSE OF NEGOTIATIONS.

AS MATTERS NOW STAND, THE FRAMEWORK OF THE GENEVA CONFERENCE IS IN BEING AND COULD BE DEVELOPED FOR THIS PURPOSE. SOME EXCHANGES OF VIEW WILL BE NECESSARY TO REACH AGREEMENT ON THE TERMS FOR RECONVENING THE CONFERENCE AND ON HOW THE WORK OF THE CONFERENCE SHOULD BE ORGANIZED. FOR THIS PURPOSE, WE HAVE SUGGESTED A PREPARATORY CONFERENCE OR ANY OTHER PRELIMINARY EXCHANGES THAT MAY BE NECESSARY. ONE OF THE SUBJECTS THAT WILL HAVE TO BE DEALT WITH, OF COURSE, IS HOW TO DRAW PALESTINIAN VIEWS INTO THE NEGOTIATIONS.

IT SEEMS TO ME THAT, WITH ISRAELI ELECTIONS SCHEDULED TOWARD THE END OF NEXT YEAR, ONE CAN FORESEE A PROCESS REACHING OUT OVER THE NEXT 18 MONTHS. AS LONG AS THE ARABS SEE THE U.S. ROLE AS A SERIOUS AND CONSTRUCTIVE ONE PROMISING SOME MOVEMENT, I WOULD EXPECT THE CLIMATE OF US-ARAB RELATIONS TO BE GENERALLY GOOD EXCEPT WHERE PARTICULAR

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CIRCUMSTANCES PREVAIL AS IN IRAQ OR LIBYA.

SECOND: IN LEBANON, IT WILL BE A YEAR FROM THE TIME A DURABLE CEASE FIRE IS OBSERVED AND A NEW GOVERNMENT LAUNCHED BEFORE THE FUTURE SHAPE OF LEBANON CAN BE SEEN WITH ANY CLARITY OR THE EXTENT TO WHICH ITS FORMER ROLE IN BUSINESS AND FINANCE MIGHT BE RESUMED.

THE U.S. HAS MADE CLEAR ITS SUPPORT FOR PRESIDENT SARKIS IN HIS EFFORTS TO REBUILD NATIONAL INSTITUTIONS

IN A UNIFIED LEBANON. HE IS STARTING FROM A SITUATION
IN WHICH THE ADMINISTRATION OF THE COUNTRY HAS
BEEN DIVIDED BY THE FIGHTING. ALTHOUGH HE WILL TRY
QUICKLY TO RE-ESTABLISH NATIONAL GOVERNMENT, AS A
PRACTICAL MATTER HE WILL HAVE TO BEGIN FROM THAT
DIVIDED BASE.

THE EXTENT TO WHICH THE CEASEFIRE CAN BE ENFORCED
AND SECURITY ASSURED AND THE EXTENT TO WHICH THE NEW
GOVERNMENT CAN GO ABOUT REBUILDING THE COUNTRY WILL
DEPEND ON THREE THINGS.

-- THE READINESS OF LEBANESE CHRISTIANS AND MOSLEMS TO
COOPERATE IN BUILDING A NEW POLITICAL AND SOCIAL FRAMEWORK
THAT BOTH CAN LIVE WITH;

-- THE READINESS OF OTHER ARAB STATES, PARTICULARLY SYRIA,
EGYPT, AND SAUDI ARABIA, TO COOPERATE IN SUPPORTING THE NEW
LEBANESE GOVERNMENT;

-- THE ABILITY OF ALL PARTIES TO THE LEBANESE CONFLICT WITHIN
AND OUTSIDE LEBANON TO STAND BEHIND ARRANGEMENTS THAT WILL TAKE
THE PALESTINIANS OUT OF LEBANESE POLITICS AND GOVERNMENT.

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P 221130Z SEP 76

FM USDEL SECRETARY IN KINSHASA
TO SECSTATE WASHDC PRIORITY

C O N F I D E N T I A L SECTION 2 OF 2 SECTO 27271

STADIS////////////////////////////////////

FOR INR ONLY

VAN GILDER FROM SAUNDERS

ALL OF THIS WILL TAKE TIME AND TESTING. THE
IMMEDIATE JOB WILL BE GETTING A NATIONAL ADMINISTRATION
GOING AGAIN AND THEN THERE WILL HAVE TO BE AGREEMENTS
ON THE BASIC POLITICAL RELATIONSHIP BETWEEN THE
CHRISTIAN AND MUSLIM COMMUNITIES -- ALL OF THIS WITH

SHARPLY DIVERGENT VIEWS ON BOTH SIDES. THAT IS WHY I SUGGEST IT WILL BE A YEAR BEFORE WE CAN SAY WITH SOME CONFIDENCE THAT WE SEE THE SHAPE OF THE NEW LEBANON.

ONE IMPORTANT QUESTION IS WHETHER CONTINUED INSTABILITY IN LEBANON MUST NECESSARILY PREVENT PROGRESS IN ARAB ISRAELI NEGOTIATIONS. MY ANSWER IS THAT IT NEED NOT PROVIDED THE GOVERNMENTS WHICH ARE PARTY TO THE NEGOTIATIONS ARE COMMITTED TO GETTING THEM STARTED.

THIRD: ON THE ECONOMIC SIDE, THE IMPORT PROGRAMS IN THE MAIN OIL-PRODUCING STATES -- SAUDI ARABIA, KUWAIT, THE UAE, AND IRAN -- WILL CONTINUE STRONG, BUT BECAUSE OF CONSTRAINTS OTHER THAN THE AVAILABILITY OF FUNDS, THE RATE OF INCREASE WILL NOW TEND TO BE MUCH LESS SHARP THAN OVER THE PAST YEARS (SPECIFY EXACT YEARS.) THE PERIOD OF "EXPLOSIVE" IMPORT GROWTH HAS ENDED FOR MOST OPEC COUNTRIES BECAUSE (PLEASE FILL OUT).

SURPLUSES ARE EXPECTED TO INCREASE IN 1976 AFTER A DROP IN 1975. THIS PARALLELS WORLD ECONOMIC RECOVERY
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AND THE CORRESPONDING INCREASE IN CRUDE OIL EXPORT VOLUMES. SO THE TREND OVER THE PAST FIVE YEARS WILL SHOW (PLEASE DEVELOP).

SAUDI ARABIA, KUWAIT, AND THE UAE WILL CONTINUE TO HAVE THE MOST PROMINENT REVENUE SURPLUSES; THEIR INCOMES CONTINUE TO EXCEED THEIR NEEDS BY A WIDE MARGIN. IRAN'S SURPLUSES ARE NOTABLY SMALLER DUE TO AN EXCEPTIONAL CAPACITY TO ABSORB IMPORTS. PROJECTED DEVELOPMENT PROGRAMS RUN INTO A RANGE OF NON-INCOME CONSTRAINTS, SUCH AS PORT CONGESTION AND A SHORTAGE OF MANPOWER, PARTICULARLY OF MANAGERS. HIGH RATES OF INFLATION ACCOMPANY THE RAPID GROWTH RATES IN THESE COUNTRIES.

NEVERTHELESS, IMPORTS INTO THE OIL-PRODUCING STATES WILL REMAIN HIGH. DEVELOPMENT IS UNEVEN, AND NEEDS FOR BOTH CAPITAL AND CONSUMER GOODS WILL HAVE TO BE FILLED IN LARGE PART FROM ABROAD. IMPORTS WILL BE ESPECIALLY IMPORTANT IN EASING THE INFLATIONARY PRESSURES OF SHORTAGES AND BOTTLENECKS. DEMAND FOR HIGH-TECHNOLOGY PRODUCTS AND PROCESSES IN WHICH AMERICAN PRODUCERS OCCUPY A LEADING OR UNIQUE POSITION WILL REMAIN STRONG.

FOURTH: THE STATES WHICH DO NOT YET PRODUCE MAJOR QUANTITIES OF OIL LIKE EGYPT, ISRAEL, JORDAN (AND SYRIA?) AND WHICH FACE SUBSTANTIAL DEFENSE EXPENDITURES WILL CONTINUE TO FACE ECONOMIC DIFFICULTIES OF VARYING DEGREES OF SERIOUSNESS.

THIS MEANS THAT INCREASED ATTENTION WILL HAVE TO BE GIVEN TO THE ECONOMIC ASSISTANCE PROGRAMS FOR

THESE COUNTRIES FROM A VARIETY OF DONORS. ALTHOUGH THIS POINT IS VERY DIFFICULT TO HANDLE, I THINK IT IS ALSO FAIR TO SAY THAT RELIEVING THEIR RESPECTIVE DEFENSE BURDENS WILL BE ONE OF THE IMPORTANT THOUGHTS ON THE MINDS OF THE GOVERNMENTS MOST IMMEDIATELY INVOLVED IN THE PEACE NEGOTIATIONS.

(PLEASE EXPAND ON INVESTMENT PROSPECTS IN THESE STATES.)/

IN SUM, LET ME SAY SIMPLY THAT THE U.S. HAS A CLEAR INTEREST IN PURSUING THE TWO MAIN LINES OF POLICY THAT WE HAVE PURSUED SINCE EARLY 1974 -- (A) VIGOROUS EFFORTS TO FURTHER ARAB-ISRAELI PEACE
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NEGOTIATIONS AND (B) ACTIVE ENCOURAGEMENT OF A WIDENING NETWORK OF RELATIONSHIPS BETWEEN THE ELEMENTS OF OUR OWN ECONOMY AND SOCIETY AND THOSE OF THE MIDDLE EASTERN STATES.

IN THE LARGER ECONOMIC PICTURE: WORLD ECONOMIC EXPANSION WILL CONTINUE AT A SUBSTANTIAL RATE FOR THE NEXT YEAR OR TWO; DEMAND FOR OIL WILL CONTINUE TO INCREASE; AND THE OIL PRODUCERS WILL HAVE MONEY TO SPEND. IT IS IN THE INTEREST OF THE WORLD ECONOMY THAT THESE FUNDS CONTINUE TO CIRCULATE SMOOTHLY, AND IN THE U.S. INTEREST THAT OUR FIRMS CONTINUE TO OBTAIN A SUBSTANTIAL SHARE OF THE RESULTING BUSINESS. END TEXT.

3. IN ADDITION TO HELP WITH TEXT, I WILL NEED FAIRLY DETAILED WRITTEN ANSWERS TO TWO POSSIBLE QUESTIONS:
(A) WHAT IS THE EXACT STATUS OF ANTI-BOYCOTT LEGISLATION?
(B) WHAT ARE THE PROSPECTS FOR FURTHER INCREASES IN OIL PRICES? WHAT ARE THE POSITIONS OF THE KEY OPEC COUNTRIES?

4. NEW SUBJECT: WILL YOU PLEASE BE SURE THAT WE OR NEA ARE SUMMARIZING THE ALLON FOREIGN AFFAIRS ARTICLE FOR THE SECRETARY ON HIS RETURN IN PREPARATION FOR HIS MEETING WITH ALLON IN NEW YORK.
KISSINGER

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